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The next question to be considered is whether a corporation can be bound by its signature on the note of another person for the accommodation of the latter. Subject to the exceptions mentioned *infra*, the rule is well established that the corporation is not bound, and the reason is that the directors are authorized by the stockholders to do business for corporate purposes, but are not authorized to use the corporation to perform acts of friendship for others. Accordingly the general rule is that the accommodation endorsement, signature or guaranty of a corporation is illegal and cannot be enforced.<sup>14</sup> But, in accord with the principal case an exception is made in the case of *bona fide* holders,<sup>15</sup> provided that the corporation in question had the power, express or implied, to issue negotiable notes. The reason as stated by Judge Hoar of the Supreme Judicial Court of Massachusetts<sup>16</sup> follows: "The doctrine of *ultra vires* has been carried much farther in England than the courts of this country have been disposed to extend it, but with just limitations, the principle cannot be questioned, that the limitations to the authority, powers and liability of a corporation are to be found in the act creating it. And it no doubt follows that when powers are conferred and defined by statute, everyone dealing with the corporation is presumed to know the extent of those powers. But when the transaction is not the exercise of a power not conferred on a corporation, but the abuse of a general power in a particular instance, the abuse not being known to the other party, the doctrine of *ultra vires* does not apply." But if the note were given by a corporation which was prohibited by its charter from so doing, or by one in which the power to give notes could not be implied, it would be void in the hands of the payee and all subsequent holders because all persons dealing with a corporation are bound to take notice of its chartered powers.<sup>17</sup>

It is interesting to note that notwithstanding the general rule on the subject, which is in accord with that laid down in the principal case, there is no rule of public policy which prohibits an accommodation endorsement of commercial paper by a corporation. Consequently, if such an endorsement is made with the knowledge and consent of all the directors and stockholders, and creditors' rights are not affected, the endorsement is valid and enforceable.<sup>18</sup>

*J. W. L.*

<sup>14</sup> *Monument National Bank v. Globe Works*, 101 Mass. 57 (1869); *cf. Timberlake v. Order of Golden Cross*, 208 Mass. 422 (1911).

<sup>15</sup> 3 *Cook on Corporations* (6th Ed.) 2683; *Culver v. Reno Real Estate Co.*, 91 Pa. 367 (1879); *Park Hotel Co. v. Fourth National Bank*, 86 Fed. Rep. 742 (1898).

<sup>16</sup> *Bird v. Daggett*, 97 Mass. 494 (1867); *National Bank of Commerce v. Sancho Packing Co.*, 186 Fed. Rep. 260 (1911).

<sup>17</sup> *Monument National Bank v. Globe Works*, *supra*, n. 13.

<sup>18</sup> *Elliott Nat. Bank v. Western, etc.*, R. Co., 2 Lea 676 (Tenn. 1879).

<sup>19</sup> *Murphy v. Arkansas, etc., Co.*, 97 Fed. Rep. 723 (1899); *Martin v. Niagara, etc., Co.*, 122 N. Y. 165 (1890); *cf. Goss & Co. v. Goss*, 147 App. Div. 698 (N. Y. 1911).